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GENERALIZED SYSTEM OF PREFERENCES

Scheme of New Zealand

Amendment

The UNCTAD secretariat has received the following communication from the Permanent Mission of New Zealand:

"For your information, please find attached a notification of changes to New Zealand's Generalized System of Preferences (GSP) Scheme for developing and least developed economies."

GENERALIZED SYSTEM OF PREFERENCES

Notification by New Zealand

Background

Since 1972 New Zealand has operated a Generalized System of (Tariff) Preferences (GSP Scheme) providing tariff preferences for goods imported from developing countries and Least Developed Countries (LDCs). For developing countries there is a standard 20% reduction in normal tariff rates and for LDCs, most products enter New Zealand duty free. In addition, Pacific Island countries trade under the more extensive tariff preference provisions of SPARTECA, the South Pacific Regional Trade and Economic Cooperation Agreement which entered into force in 1981.

New Zealand has recently reviewed its GSP scheme to determine whether any changes to the scope, coverage and/or operation of the GSP were warranted in view of significant changes in the domestic and international environments since the last comprehensive review in 1988.

This review took place against the background of New Zealand's overall movement towards zero tariffs. By 2000, most normal tariffs - covering 89% of New Zealand tariff items - will be at zero or 5% duty. GSP preferences will be minimal since for all those items, the standard margin of preference will be zero or 1%. For the remaining 11 per cent of tariff lines the margin of preference will range between only 1 and 3%.

Post-2000, the Government has indicated its intention to move quickly to zero tariffs, well before the Action Programme for Economic Cooperation (APEC) deadline of 2010 (for example, tariffs on major vehicles will be removed by 2002 at the latest). In addition to unilateral reduction programmes, New Zealand will continue to participate in regional and international activities such as the APEC sectoral liberalization initiative and World Trade Organization (WTO) zero for zero agreements.

The review determined that changes in the New Zealand tariff regime and in the international trading environment mean that New Zealand's GSP Scheme, created 25 years ago, is no longer appropriate and that certain modifications are required.

Changes to the New Zealand GSP Scheme

In light of the review, the New Zealand Government has decided:

(a) that the New Zealand GSP scheme will continue in its current form for least developed countries. They will continue to enjoy duty-free access except on some footwear and some apparel. The Government agreed that the GSP scheme be formally abolished when the normal rates fall to zero for all tariff items that receive LDC preferences;

(b) that developing country preferential rates under the GSP scheme will be frozen at 1 July 2000 and will then phase out as normal tariffs reduce to zero. There will be no increases in developing country tariff rates while the process is being implemented;

(c) that the product graduation element of the scheme be abolished at the earliest practicable date (on or before 1 January 1998) and that all previously graduated products be reinstated to developing country rates from that date).

As regards product graduation, under New Zealand's current GSP scheme, when imports from a developing country under a particular tariff item exceed the twin benchmarks of import share (25% of total imports) and a certain value for duty (NZ$122,000 in 1996), those imports lose their preferential status. The Government

considered this 'product graduation' element of the scheme was not fully consistent with its overall policy of tariff reductions sine it created uncertainty and unpredictability for developing country exporters and New Zealand importers, and accordingly decided on the change above; and

(d) that the existing policy on country graduation is to remain unchanged. Since 1984, the New Zealand GSP scheme has graduated those countries and economies whose per capita GNP was above 70% of New Zealand's (i.e. all tariff preferences are lost when an economy's per capita GNP reaches 70% of New Zealand level GNP).

However, the Government has also had a policy of allowing any country affected by country graduation to apply for reinstatement of preferential duty rates on nominated tariff items which were significant to that country. Only three economies have ever applied for reinstatement of preferential treatment for certain items and an agreed list of items was consolidated into a new concessions category. In the context of the Government's general reform of the GSP scheme and the fact that reinstated imports are insignificant (NZ$13,564, with duty forgone to the amount of NZ$517 in 1996) and have steadily declined over recent years, the Government has decided to revoke this special tariff concessions category.

Conclusion

The changes made to the GSP scheme are part of the Government's continuing efforts to reduce tariffs and rationalize the tariff structure in New Zealand, while preserving benefits for developing and, in particular, least developed trading partners. The Government is committed to a policy of further tariff reductions and in this regard has commenced a tariff review exercise to determine the timetable for removing all tariffs well before 2010.